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RV BUSINESS

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Supplier Costs Put Pressure On RV Prices

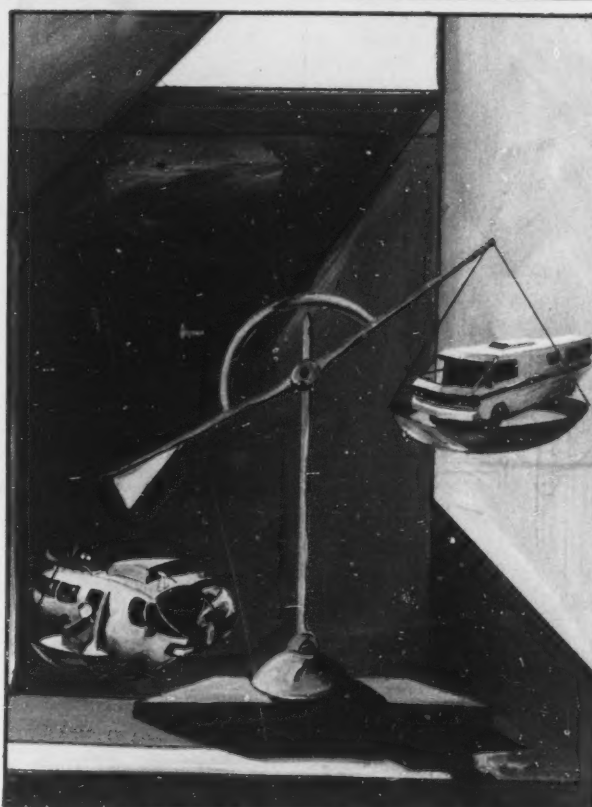
RV manufacturers, feeling the pinch of rising supplier prices, may have no choice but to hike wholesale prices this year, according to industry sources.

Escalating aluminum costs are having the greatest impact, but other basics—including copper, fiberglass, foreign steel and finished chassis—are mirroring the same upward price trend.

"Aluminum prices, ever since a year-ago fourth quarter, have escalated dramatically," reported Bud Stout, vice president and Northeast regional manager for Fabwel Inc., Elkhart, Ind. "And there's no end in sight right now. It seems as if we're seeing increases every month. It's a supply-and-demand situation worldwide, and, right now, demand is outstripping supply." Stout sets the total increase in aluminum prices between Dec. 1, 1986, and March 1, 1988, at 33%.

Contributing to the tight aluminum supply is the fact that many raw-material suppliers eliminated inefficient production facilities in recent years because aluminum prices were so depressed, according to Mel Tennant, general sales and marketing manager for Alumax Fabricated Products Inc., Riverside, Calif. In the middle of 1987, the mills began passing along cost increases to fabricators such as Alumax, he said, and the fabricators have had no choice but to follow suit, raising prices be-

continued on page 11



OVERLOADING: Although some manufacturers are increasing efforts to reduce the overloading potential of units, they say that dealers remain key to appropriate consumer sales and education. A brief guide to terms and procedures involved in determining weight capacities is included to help further dealer efforts. See page 22.

RVIA Reports Gains on RV Special Licensing Front

Diane Farrell, vice president of government affairs for RVIA, reported that the association has made significant progress in efforts to have RV drivers exempted from state statutes requiring special driver's licensing for operators of large vehicles.

Since the resumption of state

legislative activity in January, four states—Indiana, Montana, Tennessee and Virginia—have reviewed their commercial licensing requirements and determined that an automobile driver's license will be sufficient for driving or towing an RV.

Emphasizing another positive development, Farrell said that

officials of the California Department of Motor Vehicles have decided to postpone their study of RV special licensing until 1989 and, instead, will concentrate this year on enacting legislation that applies only to commercial vehicles.

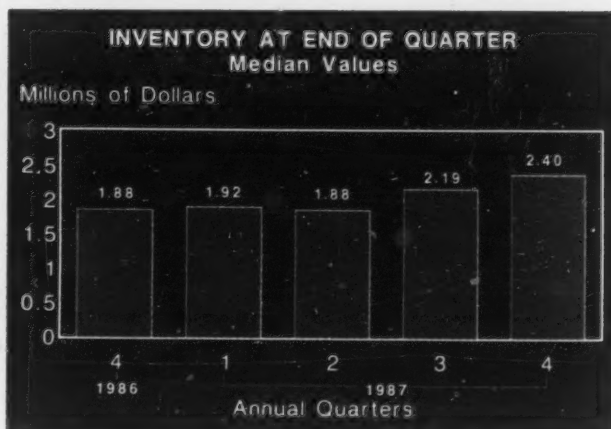
Although Farrell noted that bills are currently pending in both Michigan and New Jersey that could include certain RVs in special licensing statutes, she said that efforts are underway in those states to head off any RV special licensing provisions.

Commenting on pending Michigan legislation, SB 700, Lynwood Wellhausen, director of the Michigan Association of Recreational Vehicles and Campgrounds (MARVAC), said, "We have already had some preliminary talks with the Senate committee members, and they have told us they would view the amendment favorably because they never intended for RVs to be included in the special licensing law that is now being proposed. They said it was their intent to have the law apply to commercial vehicles only."

Despite these encouraging developments, Farrell stressed that she remains cautious in expressing optimism about the future of the special licensing issue. "We have been very successful so far this year," she said, "but it is next year that will really be the pivotal year. Many of the state administrators are still studying this issue and they have not decided exactly how to approach it. While we have seen some early decisions made in our favor, there is a lot of work yet to be done." *David Longsdorf Jr.*

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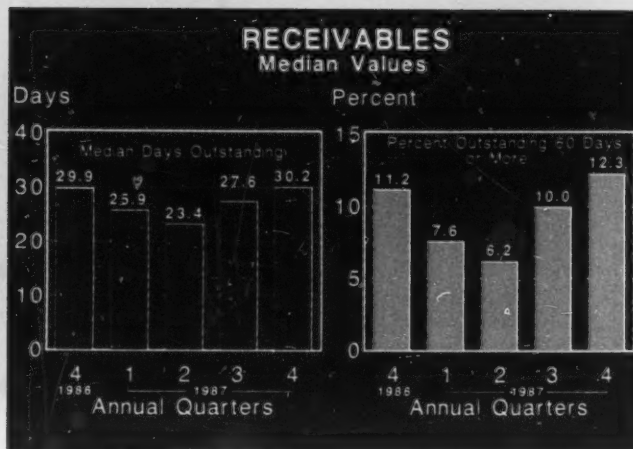
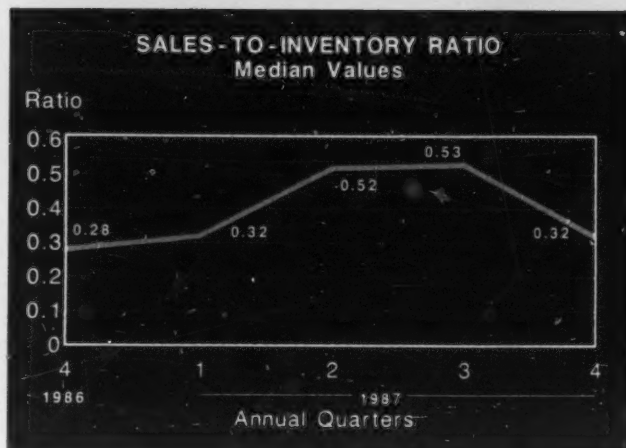
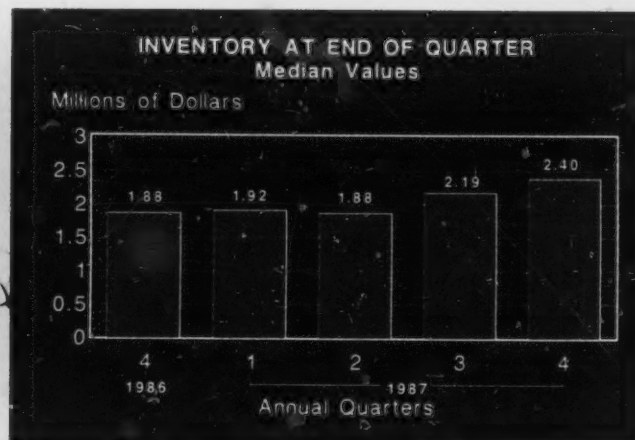
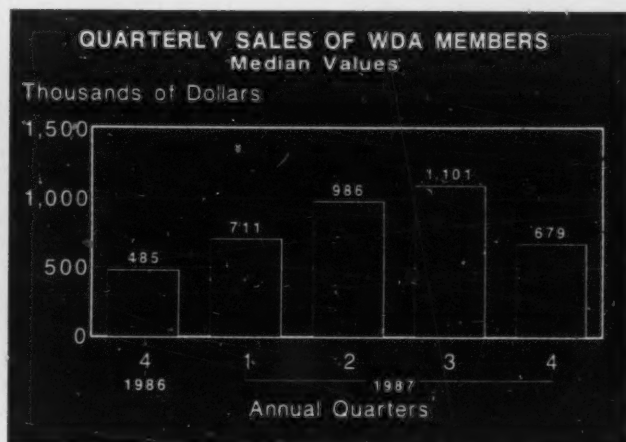
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AFTERMARKET PERFORMANCE IMPROVES AT END OF '87

MORTON J. MARCUS



The Warehouse Distributors Association (WDA) members who participate in the voluntary quarterly statistical survey on a regular basis reported an increase in sales for the final quarter of 1987.

Total sales indicated by these 27 continuously reporting firms climbed from \$24.5 million in the fourth quarter of 1986 to \$29.4 million at the close of 1987. That is a 20% increase.

These data are particularly

meaningful because they are for the very same firms that reported in both quarters. Half of these firms reported sales of \$679,000 in the fourth quarter of 1987, a 12% increase from the \$606,000 median value that they indicated in the final quarter of 1986.

This improvement is a more reliable indicator than the data for *all* respondents (including those firms that do not choose to participate in each quarter).

As shown in Figure 1, the median value for *all* firms for the fourth quarter of 1987 was 40% higher than in the fourth quarter of 1986, but, without the same firms reporting, that result is suspect. Good data requires continuity over time!

As would be expected due to normal seasonal variation, sales in the fourth quarter declined sharply from the high levels of the second and third quarters. Once this survey of WDA mem-

bers has been in existence for a few years (it started in 1986 in its current form), all the data can be adjusted for the normal seasonal variations which characterize the industry.

Inventories of WDA members who reported in both years rose by 7.8% from the fourth quarter of 1986 to the same quarter in 1987. This modest increase in inventories, which was less than the rise in sales, meant that the ratio of sales of inventory for

WDA AFTERMARKET

those firms reporting every quarter rose from 0.31 to 0.28 in the year. As can be seen from the data for *all* firms in Figure 3, the sales-to-inventory ratio rose during the heavy sales period of the middle quarters in the year. However, the sales-to-inventory ratio fell again as sales declined from their peak in the fourth quarter.

Median days for receivables edged up in the fourth quarter, rising to more than 30 days. Days receivable had approached this

Percent of Annual Sales (by quarter)

	1986	1987
Jan. to March	18.7%	19.4%
April to June	32.8	33.0
July to Sept.	28.3	28.3
Oct. to Dec.	20.2	29.3

level (29.9 days for *all* firms) a year earlier, although *continuously* reporting firms reported that days receivable were less than 28 days at the close of 1986.

As would be expected, there was a corresponding increase in the percent of receivables that were in excess of 60 days in the fourth quarter: The increase recorded for *all* firms went from 11.2% in the last quarter of 1986 to 12.3% for the fourth quarter of 1987.

Added Observations

Because of the good cooperation from a small group of WDA members over the entire two years of this survey (cooperation which, it is hoped, will spread throughout the industry), it is possible to give a partial view of the industry during these two years. There were 17 firms that reported data in each of the eight quarters during 1986 and 1987.

The stability of seasonal patterns in sales can be seen in the chart above.

There is some evidence in the data that smaller firms experience more seasonal fluctuation in sales than do the larger establishments. The small size of the sample, however, makes us hesitant to declare that tendency to be a fact. With more firms participating, we could draw a stronger conclusion.

Another observation, which is tempered by the fact that only 17 firms participated in every quarter, is that smaller firms (those with sales less than \$2 million per year) tended to have lower sales in 1987 than in 1986, while the medium- and larger-size firms showed advances in 1987 over 1986. But smaller firms also showed a marked improvement in sales-to-inventory ratios compared to larger firms. Less favorable was the tendency for small firms' percent of receivables to grow from 20 days on the average in 1986 to 24 days in 1987. Medium- and large-size firms cut the percent of receivables over 60 days between 1986 and '87, dropping from about 10.5 days in 1986 to 8.8 days in 1987.

These and other detailed analytic statements are possible only when enough firms participate in each quarter. Δ

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Plug Into The Real Power In OEM Electronics

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. WDA aftermarket data are obtained from the confidential reports returned voluntarily by member-firms for tabulation by the research center at the university. Each participating WDA member receives a private report in which that firm's record for the past five quarters is compared with industry averages.

DAB PERSPECTIVE

DAB REPORTS SALES PICTURE IS 'BRIGHT'

GAYLORD MAXWELL

The overall RV retail sales picture is bright. That's what RV Business' Dealer Advisory Board (DAB) reported for the month of February. Sales for the 24 board members were better than they were in the corresponding month of the preceding year, both in dollars taken in and units delivered. Several dealers set new February sales records.

Not everyone shared in the bounty, however.

Motorhomes were up tremendously, but fifth-wheels were the exclusive towable type that managed to get into the plus column.

Sales reports for used units presented a different picture. With the exception of camping trailers, all categories were up. Year-to-date, the picture was about the same.

Overall, new unit profits weren't great—with most ratings in the fair to good columns. Even used-unit ratings, which are normally excellent, were off the pace. The service-and-accessory business was quite good. Bottom lines received very mixed ratings, with about equal distribution in the columns from poor to excellent.

About half of the DAB mem-

bers rated their new-unit inventories high; the rest rated them average. No one rated his used inventory high. Quite the opposite, half reported it low—a condition that might keep used prices high this spring and summer. Lot traffic apparently varies enormously around the country. However, 25% of our DAB members rated it high—a very good sign for the months to come.

Our DAB reports for February and for the year-to-date suggest that there's a banner year in the making for motorhome dealers—particularly big dealers. Trailer dealers, though, may find the road rocky.

Motorhomes

Motorhome sales in the first two months of '88 indicated that this will be an exceptionally good year for that RV type. However, as indicated above, not every motorhome dealer is sharing the larger pie. Indeed, in February, only half of the DAB members who stock them had a new-unit sales increase. Many of the big guys were apparently on a "roll," while many of the smaller fellows were lucky to maintain status quo with last year.

New motorhome profits were a bit on the weak side, with about half of our DAB members grading them only fair. Three rated them poor, and only one called them excellent. It would appear that some of the sales increase has been somewhat offset by a decrease in grosses.

Travel Trailers

Trailer dealers generally are having trouble keeping up with last year's new-unit sales. The fact is that most are not; even the big guys are running behind. The market hasn't collapsed by any means, but it is definitely on the sluggish side.

The used-trailer picture was better—at least in terms of unit sales, which are up from last year.

Contrary to the unit-sales picture, trailer profits were generally good with a few dealers marking them excellent.

Truck Campers

Campers didn't get off to a good start with the few DAB dealers who stock them. Both for this February and the year-to-date, the percentage figures were negative. However, our numbers were so small that just a few units one way or another

affect the picture a great deal.

Used campers seemed to be selling well, and profits were good or excellent.

Camping Trailers

Total sales of new folding camping trailers for the DAB lagged considerably behind last year. However, a disastrous beginning for one of our largest board members accounted for much of the drop. Also, small numbers at this time of the year tend to distort the real picture. Actually, most DAB members who stock fold-downs were running neck-and-neck with last year.

Profits were rated fair to good.

Fifth-wheels

Although new-unit sales were down three units from last February, the most serious fiver dealers on the DAB did very well. The fact is that many dealers stock and sell only a few units per year, whereas a few of our board members get some impressive numbers in a year's time. The success or failure of the latter tells the story.

Profits were about equally distributed from fair to excellent. Δ

	NEW UNITS						USED UNITS					
	FOR MONTH			YEAR-TO-DATE			FOR MONTH			YEAR-TO-DATE		
	FEB. 1988	FEB. 1987	% CHANGE	1988	1987	% CHANGE	FEB. 1988	FEB. 1987	% CHANGE	1988	1987	% CHANGE
MOTORHOMES	157	115	+37	267	185	+44	138	119	+16	241	220	+10
TRAVEL TRAILERS	96	112	-14	169	188	-10	104	95	+9	169	154	+10
TRUCK CAMPERS	13	15	-13	24	36	-33	14	11	+27	24	18	+33
CAMPING TRAILERS	68	86	-21	132	176	-25	23	32	-28	29	39	-26
FIFTH-WHEELS	33	36	-8	48	45	+7	20	17	+18	27	27	+0

	FOR MONTH			YEAR-TO-DATE		
	FEB. 1988	FEB. 1987	% CHANGE	1988	1987	% CHANGE
SALES VOLUME	\$11,524,824	\$10,819,824	+7	\$21,911,208	\$18,603,711	+18
TOTAL UNIT SALES	666	638	+4	1,130	1,088	+4
NEW-UNIT SALES	367	364	+1	640	630	+2
USED-UNIT SALES	299	274	+9	490	458	+7

The "DAB Perspective" is a compilation of data provided by RV Business' Dealer Advisory Board (DAB), a group comprised of 24 dealers representing a cross section of the U.S. dealer body.

Gaylord Maxwell, chairman; Dave Altman, Baldwin Park, Calif.; Robert Azavedo, Sunnyvale, Calif.; Jack Cain, Pacoima, Calif.; Dick Dawson, Victor, N.Y.; Bill De Groot, Junction City, Ore.; Crosby Forrest, Newport News, Va.; Danny Gamel, Fresno, Calif.; Jerry Greer, Columbus, Ohio; Jerry Harrison, Waco, Texas; Dottie Helgeson, Seattle, Wash.; Newton Kinsland, Orlando, Fla.; Ozzie Lombard, Sayville, N.Y.; Larry McClain, Oklahoma City, Okla.; Annette Aubry-Miller, Fayetteville, N.C.; Jack Moran, Warwick, R.I.; Mike Peay, Albuquerque, N.M.; Edward Peterson, Lafayette, Ind.; William Pifer, Warren, Mich.; Tom Schaeffer, Shoemakersville, Pa.; Hal Shipps, Chattanooga, Tenn.; Jack Simmons, Amarillo, Texas; Bill Thomas, Bridgeton, Mo.; Randy Thompson, Crystal Lake, Ill.; Larry Washburn, Lakewood, Colo.

This report is an attempt to reflect the current retail sales picture; it does not purport to indicate RV production or factory sales to dealers.